99TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
99-737

PROVIDING EMERGENCY ASSISTANCE TO FARMERS AND RANCHERS ADVERSELY AFFECTED BY THIS YEAR'S DROUGHT AND EXCESSIVELY HOT WEATHER

AUGUST 2, 1986.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. DE LA GARZA, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H.R. 5288]

The Committee on Agriculture, to whom was referred the bill (H.R. 5288) to provide emergency assistance to farmers and ranchers adversely affected by this year's drought and excessively hot weather, having considered the same, report favorably thereon with an amendment and an amendment to the title and recommend that the bill as amended do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That the President and the Secretary of Agriculture shall make emergency disaster assistance available, as provided in this Act, to farmers and ranchers in natural disaster areas.

DEFINITIONS

SEC. 2. For the purposes of this Act—

(1) the term "natural disaster areas" includes any area in the United States in which farming and ranching operations have been adversely affected by a drought or excessively hot weather disaster, or a flood disaster, occurring in calendar year 1986, as determined by the Secretary of Agriculture, such that assistance is available in the area under subtitle C of the Consolidated Farm and Rural Development Act for such desaster; and

(2) the term "livestock" includes all classes of beef and dairy cattle, sheep, goats, and swine.

EMERGENCY FEED DONATIONS

SEC. 3. Notwithstanding any other provision of law:

(a) The Secretary of Agriculture shall make available to farmers and ranchers in each natural disaster area, at no cost, surplus stocks of commodities held by the

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Commodity Credit Corporation (in the area, in the State in which the area is located or an adjoining State, or in a storage deficient area (as described in section 8(b) of this Act)), for the purpose of, and under the conditions set out in, subsection (b) of this section.

(b)(1) The Secretary shall make such commodities available, in any natural disaster area in which the Secretary determines there is a critical need for livestock or poultry feed, in amounts necessary to preserve livestock herds and poultry flocks in the area. For purposes of this section, the phrase "critical need for livestock or poultry feed" means that (A) the total supply of feed grains and forage available to livestock and poultry producers in the area involved is insufficient to cover the combined feed needs of such producers for more than 72 hours or such other period, determined by the Secretary, reasonably needed for supplies of feed to arrive in the area for commercial use from feed surplus areas, whichever is a longer period; and (B) as a result of such deficient supply levels, it reasonably can be expected that, without the assistance made available under this section, farmers and ranchers in the area will suffer significant losses of livestock or poultry due to mortality.

(2) Subject to section 8(c), the Secretary shall cover any costs involved in transporting such surplus commodities to the natural disaster area, using the funds, facilities, and authorities of the Commodity Credit Corporation for such purposes.

(3) The Secretary shall continue to make commodities available under this section until there no longer is a critical need for livestock or poultry feed, as determined by the Secretary.

(4) In determining the feed needs of producers in an area and the amount of commodities to be made available in the area under this section, the Secretary shall use the regulations issued under section 1105 of the Food and Agriculture Act of 1977 (7 C.F.R. 1475.52(n) and 1475.55(f)(1) (1986)) and comparable rules for poultry.

(5) Donations under this section shall be made available during the period beginning 3 days after the date of enactment of this Act and ending March 31, 1987, or the date, as determined by the Secretary, on which the emergency created by the drought, excessively hot weather, or flood no longer exists, whichever is earlier.

EMERGENCY LIVESTOCK FEED ASSISTANCE

SEC. 4. (a) Notwithstanding any other provision of law:

(1) The Secretary of Agriculture shall make emergency livestock and poultry feed assistance under section 1105 of the Food and Agriculture Act of 1977 to farmers and ranchers in natural disaster areas. Reimbursement for purchased feed provided to such farmers and ranchers under section 1105 shall be made in kind, as provided in section 8(a) of this Act, using surplus stocks of commodities held by the Commodity Credit Corporation. Whenever, under any export development program conducted by the Secretary of Agriculture, a feed grain or other commodity used for animal feed is made available to foreign purchasers at prices less than the average domestic market price for the commodity, as determined by the Secretary, reimbursement under this paragraph for purchases of such commodity shall be made at a level in excess of 50 percent of the cost of the purchased commodity if necessary to ensure that the net cost to the producer for such commodity (taking into account the reimbursment under this paragraph) is not in excess of the average price at which the commodity is made available to foreign purchasers under such export development program.

(2) The Secretary of Agriculture shall permit any producer of the 1986 crop of wheat, feed grains, upland cotton, or rice (A) who is participating in the program under the Agricultural Act of 1949 for such crop, and (B) whose farm is located in a natural disaster area, to devote acreage on the farm diverted from the production of the crop under such program to hay or grazing without regard to limitations on when haying or grazing may take place otherwise imposed under the Agricultural Act of 1949.

(3)(A) In carrying out any emergency assistance program, for farmers and ranchers in a natural disaster area under the Disaster Relief Act of 1974, subject to subparagraph (B), the President shall direct the Secretary of Agriculture to implement an emergency hay program to assist such farmers and ranchers in obtaining hay to feed their livestock. Under such program, the Secretary, subject to section 8(c), shall pay 80 percent of the cost of transporting hay from areas in which hay is in plentiful supply to the area in which the farmers and ranchers are located.

(B) The President shall take the action required under subparagraph (A) only if the Secretary of Agriculture reports to the President that—

(i) as a result of the drought, excessively hot weather, or flood disaster, the amount of hay readily available to such farmers and ranchers at reasonable prices to feed their livestock is substantially below the amount normally available; and

(ii) the assistance to be made available under paragraph (1) and haying or grazing permitted under paragraph (2) together will be insufficient to prevent substantial losses of livestock or liquidation of herds by such farmers and ranchers in such area.

(C) The Secretary of Agriculture shall determine whether the conditions described in clauses (i) and (ii) of subparagraph (B) exist for each natural disaster area, and if such conditions exist so report to the President, within 30 days after the date of enactment of this Act and at reasonable intervals of time thereafter.

(D) Prior to making any determination under subparagraph (B), the Secretary of Agriculture shall consult with the Governor and the Secretary of Agriculture (or comparable official) of the State involved, and give due consideration to the views of such persons.

(4) Paragraphs (1) and (3) shall become effective 15 days after the date of enactment; and assistance under such paragraphs shall be available until March 31, 1987, or the date, as determined by the Secretary of Agriculture, on which the emergency created by the drought, excessively hot weather, or flood no longer exists, whichever is earlier.

(b) Effective October 1, 1986, section 1105 of the Food and Agriculture Act of 1977 (7 U.S.C. 2267) is amended by adding at the end thereof the following:

"(h) If—

"(1) the Secretary of Agriculture makes emergency livestock or poultry feed assistance available to producers in a county under section 407 of the Agricultural Act of 1949; but

"(2) surplus commodities of adequate nutritive value are not made available under such authority for distribution to such producers within ten days after the announcement of the program under such authority for such county,

the Secretary shall make assistance available to such producers under this section until such time as surplus commodities are made available under the announced program.".

DISASTER PAYMENT PROGRAM

SEC. 5. Notwithstanding any other provision of law:

(a) The Secretary of Agriculture shall make disaster payments available, at the request of the producer, on the 1986 crops of wheat, feed grains, upland cotton, rice, and soybeans and peanuts under sections 107D(c)(2)(D), 105C(c)(2)(D), 103A(c)(2)(D), 101A(c)(2)(D), and 201(k) of the Agricultural Act of 1949, respectively, to producers located in natural disaster areas.

(b) For the purposes of this section, the conditions set out in sections 107D(c)(2)(D)(i), 105C(c)(2)(D)(i), 103A(c)(2)(D)(i), and 101A(c)(2)(D)(i) of the Agricultural Act of 1949 shall be considered as having been met.

(c) Payments under this section shall be made in kind, as provided in section 8(a) of this Act, using surplus stocks held by the Commodity Credit Corporation.

(d) The total amount of in kind payments that a person shall be entitled to receive for the producer's crops of wheat, feed grains, upland cotton, rice, peanuts, and soybeans under this section shall not exceed an amount of commodities of a combined value of more than $100,000.

MILK PROGRAM PRODUCER ASSESSMENTS

SEC. 6. Notwithstanding any other provision of law:

(a) At the option of the producer, no reductions in the price received by producers for milk marketed for commercial use under section 201(d)(2)(A) of the Agricultural Act of 1949 shall be made on milk produced by producers in natural disaster areas and marketed for commercial use during the period beginning October 1, 1986, and ending December 31, 1986.

(b) The Secretary of Agriculture shall increase the amount of the reduction in the price received by each producer in a natural disaster area, if the producer exercises the option for a suspension of reductions under subsection (a), for milk produced and marketed by such producer for commercial use under section 201(d)(2)(A) of the Agricultural Act of 1949 during the period beginning January 1, 1987, and ending September 30, 1987, by an amount that will ensure that, to the extent practicable, the aggregate amount of reductions applicable to milk of such producer for the period

beginning October 1, 1986, and ending September 30, 1987, will be same aggregate amount of reductions that would have been made if the suspension of reductions under subsection (a) had not been in force for such producer.

COST-SHARING FOR SOIL CONSERVATION MEASURES AND TIMBER STAND RESEEDING EXPENSES

SEC. 7. Notwithstanding any other provision of law:

(a) The Secretary of Agriculture shall make available—

(1) cost-share payments under the agricultural conservation program to producers in natural disaster areas for conservation measures designed to prevent anticipated soil erosion due to loss of vegetative cover; and

(2) cost-share payments under the forestry incentives program to forest landowners in natural disaster areas for the reestablishment of stands of pine trees lost to drought conditions.

(b) The Secretary shall share not less than 50 percent of the cost of such measures or reestablishment of timber stands; and such cost-share payments shall be made in kind, as provided in section 8(a) of this Act, using surplus stocks of commodities held by the Commodity Credit Corporation.

(c) Payments made under this section shall be in addition to, and not in lieu of, payments made under the Soil Conservation and Domestic Allotment Act or the Cooperative Forestry Assistance Act of 1978 using funds appropriated for such purposes.

(d) Assistance under this section shall be made available to persons in natural disaster areas during the period beginning 15 days after the date of enactment of this Act and ending March 30, 1987.

PAYMENTS

SEC. 8. Notwithstanding any other provision of law:

(a)(1) In making in-kind payments under section 4(a) (1), 5, or 7, or subsection (c) of this section, the Secretary of Agriculture may—

(A) acquire and use commodities that have been pledged to the Commodity Credit Corporation as security for price support loans under the Agricultural Act of 1949, including loans made to producers under section 110 of such Act; and

(B) use other commodities owned by the Commodity Credit Corporation.

(2) The Secretary may make in-kind payments by—

(A) if requested by the producer, delivery of the commodity to the producer at a warehouse or other similar facility, as determined by the Secretary; or

(B)(i) the transfer of negotiable warehouse receipts;

(ii) the issuance of negotiable certificates that the Commodity Credit Corporation shall redeem for a commodity in accordance with regulations prescribed by the Secretary; or

(iii) such other methods as the Secretary determines appropriate to enable the producer to receive such payments in an efficient, equitable, and expeditious manner so as to ensure that the producer receives the same total return as if the payments had been made in cash.

(b) In carrying out this section and section 3, the Secretary, to the maximum extent practicable, shall use Commodity Credit Corporation commodities stored in storage deficient areas such as the midwestern United States.

(c) Transportation cost payments made under section 3(b)(2) or 4(a)(3) of this Act prior to October 1, 1986, shall be made in kind, as provided in subsection (a), using surplus stocks of commodities held by the Commodity Credit Corporation. Such payments made after September 30, 1986, may be made in kind or in cash.

(d) The Secretary of Agriculture shall assist recipients of in-kind payments in marketing warehouse receipts, certificates, or other documents representing such in-kind payments.

CREDIT FORBEARANCE

SEC. 9. It is the sense of Congress that, with respect to farm borrowers who are adversely affected by natural disaster conditions in calendar year 1986—

(1) the Secretary of Agriculture should exercise the authority provided under section 331A of the Consolidated Farm and Rural Development Act and instruct the Farmers Home Administration to defer loan repayments and forgo foreclosures in cases where such farm borrowers are unable to make loan payments in full due to no fault of their own; and

(2) the lending institutions of the Farm Credit System and commercial lending institutions are encouraged, insofar as practicable, to adopt lenient lending, forbearance, and foreclosure policies, and to the maximum extent possible participate and cooperate with Federal and State lenders in assistance programs, with respect to such borrowers who are under financial stress due to no fault of their own.

COORDINATION OF ASSISTANCE EFFORTS

SEC. 10. It is the sense of Congress that, with respect to the provision of Federal assistance to farmers and ranchers in natural disaster areas, the Secretary of Agriculture should take steps immediately to—

(1) establish an overall coordinating mechanism within the Department of Agriculture to ensure that the assistance provided by each agency within the Executive Branch is coordinated with, and complements, the assistance provided by other agencies;

(2) ensure that government and voluntary agencies, and the farmers and ranchers, in each natural disaster area are provided a single contact person or unit for Federal assistance, and that a similar such Federal contact person or unit is provided for government and voluntary agencies, farmers and ranchers, and other persons outside natural disaster areas who wish to contribute additional assistance to natural disaster areas; and

(3) consult with the Governor, Secretary of Agriculture (or comparable official), and the State disaster relief agency in each State in which a natural disaster area is located, on the disaster assistance needs of farmers and ranchers located in the State.

Amend the title to read:

A bill to provide emergency assistance to farmers and ranchers adversely affected by natural disasters in 1986.

BRIEF EXPLANATION

H.R. 5288, as reported, will require the Federal Government to make emergency disaster assistance available to farmers and ranchers adversely affected by natural disasters in 1986.

The bill, which for the most part uses authorities of current law, would provide emergency feed and other assistance to livestock producers, dairymen, and poultry producers; make disaster payments in kind available to producers of annual crops in 1986; provide payments in kind for soil conservation measures and reseeding of timber stands lost to 1986 drought conditions; express the sense of Congress encouraging lenders not to foreclose on farmers and instructing the Federal Government to streamline its current disaster assistance efforts; and make a permanent change in the law to improve the operation of emergency feed programs.

The use of payments in kind under the bill means that Government stocks of surplus commodities or certificates representing such commodities—but not cash—would be used to cover Government obligations under the bill.

Following is a more detailed summary of the major provisions of the bill, as reported:

(1) ELIGIBILITY (SEC. 2)

Farmers and ranchers located in any area in which disaster assistance under the Consolidated Farm and Rural Development Act is available because of a drought and excessively hot weather disaster, or a flood disaster, in 1986.

(2) EMERGENCY FEED DONATIONS (SEC. 3)

The Secretary of Agriculture would be required to make available at no cost, in areas where there is a critical lack of feed grain or forage needed to keep livestock or poultry alive, Commodity Credit Corporation surplus stocks of feed grains.

The emergency donations (including transportation costs) would be made available when the Secretary determines that the supply of feed grain and forage available to farmers and ranchers in the area at reasonable prices is insufficient to cover their feeding needs for more than 72 hours, or other period required for commercial supplies to arrive in the county from feed surplus areas.

(3) EMERGENCY FEED PURCHASE ASSISTANCE (SEC. 4(a)(1))

Current law provides authority for a program to preserve and maintain livestock and poultry in disaster areas by providing reimbursement to farmers with livestock or poultry to cover part of the cost of emergency purchases of feed.

To be eligible, a person must have suffered a substantial loss of feed produced on the farm, not have sufficient feed for his livestock or poultry, and be in a situation of having to purchase feed in greater than normal amounts.

The reimbursement rate is not to exceed 50 percent of the farmer's cost of emergency purchases of feed (except that, under the bill, the net cost to the farmer per unit could not exceed the prices offered to foreign purchasers under export development programs).

The bill will require the Secretary of Agriculture to use the program for 1986 disasters. The bill also will provide for use of CCC surplus stocks of feed grains to make the reimbursements.

(4) HAY AND GRAZING (SEC. 4(a)(2)

The bill will require the Secretary to permit acreage-reduction acreage and "50-92" acreage under the 1986 wheat, feed grain, upland cotton, and rice programs to be grazed out or harvested for hay.

(5) HAY TRANSPORTATION PAYMENTS (SEC. 4(a)(3))

To be triggered if the other assistance described (in items (3) and (4) above) is not sufficient to prevent substantial losses of livestock or liquidation of herds.

The Secretary will pay 80 percent of the cost of transporting hay from surplus supply areas.

The Secretary would be required to consult with the State Governors involved on the need for this program.

(6) EFFECTIVE PERIOD FOR EMERGENCY FEED DONATONS, EMERGENCY FEED PURCHASE ASSISTANCE, AND HAY TRANSPORTATION PAYMENT PROGRAMS (SECS. 3(b)(5) AND 4(a)(4))

From 15 days after enactment (three days after enactment for emergency feed donations) to March 31, 1987, or the date the Secretary determines the emergency created by the disaster no longer exists.

(7) DISASTER PAYMENTS (SEC. 5)

Disaster payments will be available, on request, to producers of the 1986 crops of wheat, feed grains, upland cotton, rice, soybeans, and peanuts.

Disaster payments must be made in kind, not with cash.

(8) MILK PROGRAM ASSESSMENT—DELAY IN PAYMENTS (SEC. 6)

Dairy farmers in disaster areas would be temporarily exempted, at their request, from assessments under the milk price support program during the period beginning October 1, 1986, and ending December 31, 1986.

Assessments during the 9 months following the exemption would be increased to recoup the lost assessments.

(9) COST-SHARE ASSISTANCE FOR SOIL CONSERVATION MEASURES AND TIMBER STAND RESEEDING EXPENSES (SEC. 7)

Payments in kind would be made available for cost-share payments to cover costs of—

(a) conservation measures under the agricultural conservation program (ACP) designed to prevent anticipated soil erosion due to loss of vegetative cover; and

(b) reestablishing stands of pine trees (lost due to drought conditions) under the forestry assistance program.

The cost-shares would be not less than 50 percent of the cost to the landowner.

The assistance is to be available until March 31, 1987.

(10) PAYMENTS IN KIND (SEC. 8)

Payments in kind under the emergency feed purchase assistance program (described in item (3) above), the disaster payments program (described in item (7) above), and the cost-share program (described in item (9) above) would be made by—

(a) delivery of the commodity, if requested by the producer; or

(b) transfer of negotiable warehouse receipts, issuance of negotiable certificates, or any other method that ensures efficient receipt of payments and that ensures that the producer receives the same return as if the payment had been made in cash.

The Secretary of Agriculture, to the maximum extent practicable, would be required to use Commodity Credit Corporation commodities stored in storage deficient areas such as the midwestern United States.

(11) SENSE OF CONGRESS ON CREDIT FORBEARANCE (SEC. 9)

Expressing the sense of Congress that the Secretary of Agriculture should exercise current law authorities to defer repayments and forego foreclosures with respect to financially stressed Farmers Home Administration farm loan borrowers in disaster areas.

Encouraging Farm Credit System and commercial lenders to adopt lenient policies and participate with government agencies in

borrower assistance programs, with respect to financially stressed farm borrowers in disaster areas.

(12) SENSE OF CONGRESS ON COORDINATION (SEC. 10)

Expressing the sense of Congress that the Secretary of Agriculture should act immediately to establish an overall coordinating mechanism for Federal assistance, provide a single Federal contact point for assistance, and consult with State officials in natural disaster areas.

(13) LIVESTOCK FEED PROGRAM IMPROVEMENT (SEC. 4(b))

Permanent law establishing the emergency livestock feed programs would be amended to ensure the availability of assistance. Under the amendment, if the Secretary of Agriculture designates a county as eligible for the program under which Commodity Credit Corporation stocks are sold at reduced prices, but does not make such stocks available within 10 days, the Secretary would be required to make feed purchase cost-sharing available under the feed program described in item (3) above until the CCC stocks become available.

PURPOSE AND NEED

The purpose of H.R. 5288, as reported by the Committee, is to provide emergency assistance to farmers and ranchers adversely affected by natural disasters in 1986. Assistance under the legislation is narrowly drafted to become effective 15 days after enactment and to remain effective only until March 30, 1987, or earlier, if the Secretary determines that an emergency no longer exists.

For the most part, the Committee bill simply directs the Secretary of Agriculture to exercise his discretionary authority under existing law to assist agricultural producers in the drought-stricken Southeast United States and other areas of the United States suffering from drought or flood.

The Southeast has been particularly hard hit by the worst drought in 100 years. People from all over the United States have joined in an effort to provide aid to livestock and poultry owners by donating hay, feedgrains, and the transportation to get it to disaster areas.

President Reagan recently acknowledged the extent of the damage caused by the drought and the need for an effective Federal response to the problem. Although the Department of Agriculture is currently taking some action to provide assistance, the Committee believes that more is necessary.

The legislation requires the Secretary of Agriculture to implement programs already in existence and provide additional assistance to victims of drought and floods in the Southeast and other areas of the country. The legislation will assist these producers to purchase feed for their livestock and poultry, and to meet financial obligations.

BACKGROUND

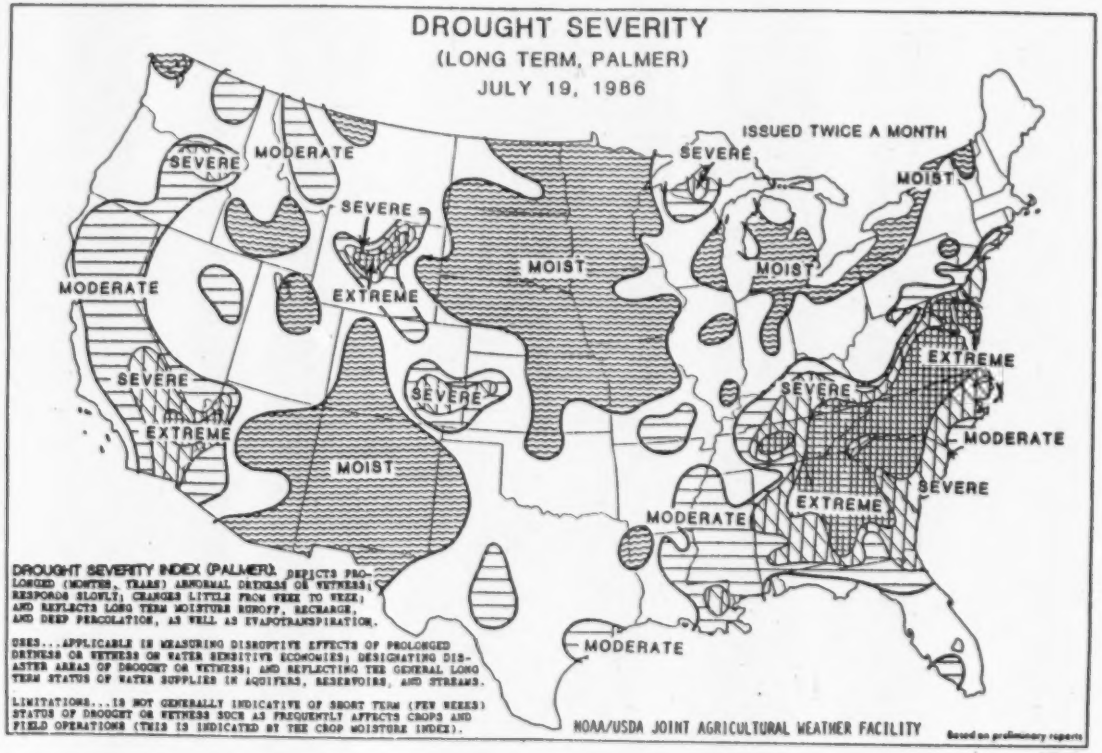
THE WORST DROUGHT IN 100 YEARS

The drought and heat wave that have devastated agriculture across the Southeast and the Middle Atlantic States has become one of the most severe natural disasters in this country in many years. According to the Department of Agriculture, the drought currently afflicting that area is the worst since recordkeeping was initiated over one hundred years ago. The Department has also indicated that conditions in drought States will probably worsen, and that drought conditions may spread to neighboring States.

As of July 24, 1986, year-to-date precipitation in the Southeast had been well below normal during 1986, according to the Department of Agriculture. Columbia, South Carolina, had received only 8 inches of precipitation compared to an annual average of 29 inches. This amounts to only 28 percent of normal. Similarly, precipitation in Atlanta, Georgia, was only 45 percent of normal, while it was 62 percent of normal in Raleigh, North Carolina.

A reliable measurement of long-term drought severity is the Palmer Drought Index. The Palmer Index is valuable for depicting prolonged, abnormal wetness or dryness over periods of months or years. The Palmer Drought Index map prepared jointly by the National Oceanic and Atmospheric Administration and the Department of Agriculture on July 19, 1986, reflects the large area from the southern Appalachians to the mid-Atlantic where drought had reached the "extreme" category. This implies that significant damage had occurred to agricultural crops and severe stress had been placed on livestock, poultry, and forestry operations.

The Department also noted that as of July 19, 1986, the Palmer Drought Index values for the area of "extreme drought" in the Southeast were the lowest recorded July values for the Appalachian region. Records for the Palmer Drought Index extend back to the mid-1880's for most of the states in the Southeast.


DROUGHT SEVERITY
(LONG TERM, PALMER)
JULY 19, 1986
ISSUED TWICE A MONTH
SEVERE
MODERATE
SEVERE
MOIST
SEVERE
MOIST
MOIST
MODERATE
EXTREME
EXTREME
SEVERE
SEVERE
SEVERE
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MODERATE
MOIST
SEVERE
EXTREME
MODERATE
MODERATE
DROUGHT SEVERITY INDEX (PALMER). DEPICTS PROLONGED (MONTHS, YEARS) ABNORMAL DRYNESS OR WETNESS; RESPONDS SLOWLY; CHANGES LITTLE FROM WEEK TO WEEK; AND REFLECTS LONG TERM MOISTURE RUNOFF, RECHARGE, AND DEEP PERCOLATION, AS WELL AS EVAPOTRANSPIRATION.
USES...APPLICABLE IN MEASURING DISRUPTIVE EFFECTS OF PROLONGED DRYNESS OR WETNESS ON WATER SENSITIVE ECONOMIES; DESIGNATING DISASTER AREAS OF DROUGHT OR WETNESS; AND REFLECTING THE GENERAL LONG TERM STATUS OF WATER SUPPLIES IN AQUIFERS, RESERVOIRS, AND STREAMS.
LIMITATIONS...IS NOT GENERALLY INDICATIVE OF SHORT TERM (FEW WEEKS) STATUS OF DROUGHT OR WETNESS SUCH AS FREQUENTLY AFFECTS CROPS AND FIELD OPERATIONS (THIS IS INDICATED BY THE CROP MOISTURE INDEX).
NOAA/USDA JOINT AGRICULTURAL WEATHER FACILITY
Based on preliminary reports

THE PALMER DROUGHT INDEX (PDI) MAP DEPICTS THE AREA FROM THE SOUTHERN APPALACHIANS TO THE MID-ATLANTIC, WHERE DROUGHT HAS REACHED THE "EXTREME" CATEGORY. THIS IMPLIES SIGNIFICANT DAMAGE HAS OCCURRED TO AGRICULTURAL CROPS AND SEVERE STRESS HAS BEEN PLACED ON LIVESTOCK AND FORESTRY SECTORS. AS OF JULY 19, 1986, THE PDI VALUES FOR THE AREA OF "EXTREME DROUGHT" IN THE SOUTHEAST ARE THE LOWEST RECORDED JULY VALUES FOR THE SOUTHERN APPALACHIAN REGION. RECORDS FOR THE PDI EXTEND BACK TO THE MID-1880'S FOR MOST STATES IN THE SOUTHEAST.

SEVERE
MOIST
MOIST
EXTREME
SEVERE
MODERATE
SEVERE
EXTREME
MODERATE
MODERATE

Another gauge of the effect of the drought is its effect on pasture and range feed conditions. The Department of Agriculture reported that as of July 1, 1986, pasture and range feed conditions had reached the "severe drought" stage in Georgia, Maryland, North Carolina, and South Carolina. Pasture and range feed conditions were reported to be "very poor" in Alabama, Delaware, and Virginia. This contrasted with a national average of pasture and range feed conditions of "good to excellent."

The Department also reported on July 24, 1986, that significant percentages of the potential crops of major agricultural commodities in Southeastern states were in poor or very poor condition. For example, in South Carolina, 96 percent of the corn crop, 68 percent of the cotton crop, and 52 percent of the soybean crop were determined to be in poor or very poor condition.

PERCENTAGE OF SOUTHEASTERN CROPS IN POOR OR VERY POOR CONDITION

State	Corn		Cotton		Soybeans	
	1985	1986	1985	1986	1985	1986
Alabama			0	8	5	26
Georgia	11	59	0	33	1	60
North Carolina	10	60	0	14	3	37
South Carolina		96	0	68	1	52

[1] July 23, 1985 vs. July 20, 1986.

Source: USDA, July 24, 1986.

As of August 1, 1986, the Secretary of Agriculture had designated 189 counties in six States as disaster areas due to the 1986 drought. These states include Alabama, Delaware, Maryland, North Carolina, South Carolina, and Virginia.

Additional requests for disaster designations are expected from Georgia, Florida, and Pennsylvania. In addition, the Department reported on August 1, 1986, that drought conditions are apparently developing or spreading in the direction of Mississippi, Tennessee, Kentucky, Texas, Oklahoma, and Kansas. It is becoming clear that the 1986 drought disaster, while centered in the Southeast, is also affecting other areas of the United States.

THE ECONOMIC EFFECT OF THE DROUGHT

Agricultural losses from the drought are estimated to total more than $2,000,000,000. In the six States that had been designated as disaster areas by the Secretary of Agriculture as of August 1, 1986, the Department estimated that agricultural losses from the drought total $1,850,000,000. Most of these losses are attributable to field crops, pasture, hay, fruits, and vegetables. The $1.85 billion loss figure does not include comprehensive estimates for livestock and poultry losses, for which no overall estimates are available.

Broken down by State, the Department estimated that losses from the drought amounted to $700 million in Alabama, $40 million in Delaware (including $864,000 in poultry), $130 million in Maryland, $400 million in North Carolina (including $48.5 million in poultry), $378 million in South Carolina (including $41 million in

livestock and $113 million in forestry), and $200 million in Virginia.

The total agricultural losses due to the 1986 drought will increase significantly above the $2 billion level when the effect of the drought on Georgia, Florida, and Pennsylvania, among other States, can be assessed in detail.

Detailed estimates of damage to specific crop and livestock operations are difficult to estimate, and are not yet generally available. However, the loss estimates available for the state of North Carolina provide a reference point for the economic effect that the drought will have in other States' agricultural sector.

As of July 21, 1986, the North Carolina Department of Agriculture estimated agricultural losses from the drought totaling just over $324 million. This total loss figure included estimated losses of $82 million in the corn crop, $75 million in tobacco, $48.5 million in poultry, $37 million in soybeans, $25 million in hay, $21.6 million in vegetables, $19.8 million in pasture, $10.5 million in peanuts, and $4.8 million in fruits and nuts.

The North Carolina Department of Agriculture also reported that significant production losses could be expected in the livestock industry through reduced feed efficiency, lower weight gains, and reduced farrowings for months into the future. An indication of the stress the drought has put on livestock producers in North Carolina is the 260 percent increase in marketing of livestock at auction sales over the past year. In a survey of major auction yards, the North Carolina Department of Agriculture determined that for the week of July 25, livestock auction sales totaled 12,500 head in 1986, versus sales of only 4,805 head in 1985. Even more cattle would have been marketed were it not for the fact that the auction yards surveyed were all working at maximum capacity.

To make matters worse, the North Carolina Department of Agriculture reports that without significant amounts of rainfall in the very near future, losses in the tobacco crop alone will increase by $105 million.

The North Carolina experience is only an example of the magnitude of the agricultural losses that will accrue nationwide as a result of the drought of 1986. When comprehensive damage estimates are available, it appears that losses will also be sustained by the agricultural economies of Alabama, Delaware, Florida, Georgia, Maryland, Pennsylvania, South Carolina, and Virginia, among others.

THE NATION'S RESPONSE TO THE DROUGHT EMERGENCY IN THE SOUTHEAST

As a nation, the United States has responded to the drought emergency with a characteristic outpouring of support from individual citizens, businesses, and government at various levels.

When news of the drought's effect on Southeast farmers was brought to their attention, farm families across the country responded by donating hay by the thousands of tons to help keep livestock herds in the drought area intact. Railroad, airlines, and trucking firms provided free transportation for the donated hay. The various State departments of agriculture coordinated the ship-

ment of the hay across the country, with the assistance of the U.S. Department of Agriculture. All of the people working to provide assistance to those farm families stricken by this disaster deserve the gratitude and admiration of the American people, but more needs to be done.

On July 24, 1986, the Department of Agriculture announced a number of initiatives designed to assist drought-stricken farmers. Among these initiatives was the establishment of a toll-free hotline to handle drought-related problems and assistance, the shifting of Department personnel from their regular duties to assist in drought relief efforts, and modifications of certain farm programs to ease the drought's effects on farmers.

These program modifications included the following measures: (1) Allowing State agricultural stabilization and conservation committees to permit haying and grazing of all crops on acreage set aside in compliance with the acreage reduction requirements of the commodity programs; (2) allowing certain conservation reserve acreage to be planted to winter pasture; (3) making eligible for cost-sharing assistance under the agricultural conservation program acreage requiring reseeding of vegetative cover to prevent soil erosion; and (4) making available forestry incentive program cost-sharing assistance to reestablish stands of planted pine trees lost due to drought conditions.

The measures announced by the Department on July 24, however, fall short of what the Committee believes is needed.

In particular, the Department's initiative to permit haying and grazing of set-aside acreage might not, in itself, provide substantial help because the condition of available pasture and range land in the seven States hardest hit by the drought were already adjudged by the Department itself to range from "very poor" to "severe drought." Similarly, allowing the planting of conservation reserve acres to winter pasture will not provide immediate benefits considering the lack of precipitation and irrigation water in the most severely affected drought States. Additionally, most producers are too short of cash to invest the money required to establish new pasture in the midst of a disastrous drought.

The Department's decision to allow the use of agricultural conservation program and forestry incentive program funds to reestablish cover crops and pine tree stands is a commendable one. But without guarantees that additional resources will be made available by the Administration for these programs in the next fiscal year, the funds for the program may be prematurely exhausted at the expense of those programs' national goals.

The Department's decision to allow the harvest of stunted program crops for use as livestock forage is also welcome, but will, in the Committee's judgment, fall short of providing farmers with the income they need to meet their financial obligations, or of making significant contributions to the total feed available for livestock producers in drought areas.

On August 1, 1986, the Secretary of Agriculture announced that he was invoking the discretionary authorities available to him under existing law to implement two additional programs to provide drought assistance to farmers in the Southeast. The emergency feed program, as authorized by section 1105 of the Food and Ag-

riculture Act of 1977, provides that the Department may share the cost of purchasing emergency feed supplies for livestock, dairy, and poultry animals, up to 50 percent of the cost of feed. The Secretary announced that the program will be available to livestock producers in Southeastern States designated as agricultural disaster areas, in amounts not to exceed 5 cents per pound of feed grain equivalent. The payments will be made in generic certificates that can be redeemed for Commodity Credit Corporation commodities or converted into cash to be used for the purchase of hay or other feed.

The Secretary also exercised his discretionary authority to authorize an across-the-board 10 percent increase in 1986 advance deficiency payments to growers of the 1986 crops of wheat, feed grains, upland cotton, and rice who participate in Federal commodity programs. The Food Security Act of 1985 provided that up to 50 percent of commodity deficiency payments could be made in advance. Until now, the Secretary had provided only 30 percent of program deficiency payments to cotton and rice producers in advance, and 40 percent to the producers of wheat and feed grains. The Secretary estimated that this initiative will provide up to $1 billion in assistance to farmers. However, the great majority, almost 90 percent, of these advance deficiency payments will go to farmers in States other than those that have been declared disaster areas due to the 1986 drought in the Southeast United States.

The Secretary also pointed out that the designation of 189 counties in six States as agricultural disaster areas makes farmers in these counties eligible for low-interest emergency loans from the Farmers Home Administration, if they meet certain qualifications.

The disaster designations also have triggered the availability of the emergency feed assistance program, under which livestock producers are eligible to purchase Commodity Credit Corporation feed grain stocks at 75 percent of the basic county loan rate where the grain is stored. The purchaser is required to pay for transporting the grain. To be eligible for the program, livestock producers must have suffered feed production losses due to drought or excess moisture, and there must be insufficient feed available to preserve their foundation livestock or poultry.

Need for Legislation

The Department's response to aid agricultural victims of the drought are welcome. But, in the Committee's judgment, they did not go far enough. The property losses and the untold human cost associated with those losses on farm families small businesses, and rural communities in drought-stricken States demand an extraordinary response on the part of the American people. Individuals, private enterprise, and State and local governments are already doing their part to ease this disaster. Now it is time for the Federal government to respond quickly, decisively, and compassionately to assist the victims of the worst drought in the Southeast in over a century.

The need for this legislation is clear. The action taken thus far by the Department of Agriculture, in the Committee's judgment,

falls short of meeting the need to assist farmers, livestock and poultry owners suffering from drought or flood.

For instance, the Department's implementation of the emergency feed program is welcome, but it will not alleviate the most critical emergency needs for feed in severely affected areas. To solve this problem, H.R. 5288, as approved by the Committee, provides for emergency donations of feed grains (including transportation costs) from Commodity Credit Corporation storage to livestock producers when the availability of feed in the county at reasonable prices is insufficient to cover their needs for more than 72 hours, or other period required for feed to arrive from feed surplus areas. The emergency feed assistance program, even though available to disaster victims, often goes unused because of high transportation costs and other administrative problems. The emergency feed donations and the associated transportation payments required by H.R. 5288 will ensure that adequate feed supplies are available to assist livestock, dairy, and poultry producers to keep animals alive and healthy in the most critical of emergencies.

The Committee estimates that the provision of disaster payments to producers of the 1986 crops of wheat, feed grains, upland cotton, rice, soybeans, and peanuts, as required by H.R. 5288, will provide approximately $200 million in disaster assistance to farmers in the seven drought disaster States. The Committee bill would extend disaster assistance payments to the producers of peanuts and soybeans. Farmers in the seven drought disaster States produced an average of 80 percent of the Nation's peanuts and 8 percent of the Nation's soybeans during 1984 and 1985.

AGRICULTURAL COMMODITIES OUTPUT IN DROUGHT-AFFECTED SOUTHEASTERN STATES [1]

Item and unit	Year		
	1984	1985	1986
Soft Red Winter Wheat (million bushels):			
Southeast	108	92	56
Share of United States (percent)	20	25	[2] 19
Corn (million bushels):			
Southeast	429	425	NA
Share of United States (percent)	6	5	NA
Soybeans (million bushels):			
Southeast	167	142	NA
Share of United States (percent)	9	7	NA
Peanuts (million pounds):			
Southeast	3,567	3,292	NA
Share of United States (percent)	81	79	NA
Cotton (thousand bales):			
Southeast	1,018	1,190	NA
Share of United States (percent)	8	9	NA
Broilers (million head):			
Southeast	1,659	1,747	NA
Share of United States (percent)	39	39	NA
Turkeys (million head):			
Southeast	35	37	NA
Share of United States (percent)	21	20	NA
Beef cows (thousand head):			
Southeast	2,984	3,015	2,927
Share of United States (percent)	8	9	9
Dairy cows (thousand head):			
Southeast	533	503	507

AGRICULTURAL COMMODITIES OUTPUT IN DROUGHT-AFFECTED SOUTHEASTERN STATES [1]—Continued

Item and unit	Year		
	1984	1985	1986
Share of United States (percent)	5	5	5

[1] For wheat and corn, Alabama, Delaware, Georgia, Maryland, North Carolina, South Carolina, and Virginia; for soybeans and peanuts, Alabama, Florida, and Georgia; for cotton, broilers, and turkeys, Alabama, Georgia, North Carolina, and South Carolina; for beef and dairy cows, Alabama, Georgia, North Carolina, South Carolina, and Virginia.

[2] Soft red winter wheat represents approximately 21 percent of annual U.S. wheat production. The seven Southeast states' 19 percent share of the national 1986 soft red winter wheat crop represents only 3.99 of total U.S. wheat production.

Source: USDA, July 24, 1986.

In addition to emergency feed grain donations and commodity disaster payments, the Committee bill also provides other assistance not available under currently-announced programs. It provides for hay transportation assistance payments amounting to 80 percent of the cost of transporting hay from surplus areas, if other Federal assistance is not adequate to prevent substantial losses of livestock or the liquidation of herds.

The Committee bill provides for a three month delay, at the request of dairy producers in disaster areas, in the collection of assessments under the milk price support program. This provision will provide dairy producers with the opportunity to channel this capital into purchases of feed grain, hay, veterinary services, and other extraordinary expenses caused by the drought.

The Committee bill also creates additional authority for the Secretary to pay not less than 50 percent of the costs of establishing conservation measures under the agricultural conservation program or stands of pine trees under the forestry incentive program. The Secretary would be authorized to make these payments in kind from Commodity Credit Corporation stocks. This would help to ensure that the Department has adequate resources available to meet the needs for assistance in the Southeast drought area, and other areas of the United States suffering from drought or flood, without sacrificing the nationwide goals of these programs during fiscal years 1986 and 1987.

Section-by-Section Analysis

SECTION 1

Section 1 contains the general requirement for farm disaster assistance under the bill. It states that the President and Secretary of Agriculture must make emergency disaster assistance available, as provided in the bill, to farmers and ranchers in 1986 natural disaster areas.

[Note.—The term "natural disaster areas" is defined in section 2 of the bill.]

SECTION 2—DEFINITIONS

Section 2 defines the terms "natural disaster areas" and "livestock" for purposes of the bill.

The term "natural disaster areas" will be defined to include any area in the United States in which farming and ranching operations have been adversely affected by a drought or excessively hot

weather disaster, or a flood disaster, occurring in 1986, as determined by the Secretary of Agriculture, such that assistance is available in the area under subtitle C of the Consolidated Farm and Rural Development Act for the disaster.

Subtitle C of the Consolidated Act establishes the natural disaster emergency loan program operated by the Farmers Home Administration. Section 321 of subtitle C contains provisions for designations of areas for assistance under subtitle C. Section 321 authorizes the Secretary of Agriculture to designate any area "where the Secretary finds that the applicants' farming, ranching, or aquaculture operations have been substantially affected by a natural disaster in the United States or by a major disaster or emergency designated by the President under the Disaster Relief Act of 1974". Under section 321, the Secretary also is required to accept applications from any farmer, otherwise eligible for disaster aid under subtitle C, in a county contiguous to a designated county. Thus, assistance under subtitle C is available to producers in such "contiguous" counties.

The term "livestock" will be defined to include all classes of beef and dairy cattle, sheep, goats, and swine.

SECTION 3—EMERGENCY FEED DONATIONS

Section 3 will require the Secretary of Agriculture to make available to farmers and ranchers in each 1986 natural disaster area (the term "natural disaster area" is defined in section 2), at no cost, surplus stocks of commodities held by the Commodity Credit Corporation. The surplus stocks would be made available, in any 1986 natural disaster area in which the Secretary determines there is a critical need for livestock or poultry feed, in amounts necessary to preserve livestock herds and poultry flocks in the area. The stocks used in the program would come from CCC stores located in the disaster area, in the State in which the area is located or an adjoining State, or in a storage deficient area (as described in subsection (a) of section 8 of the bill).

For purposes of section 3, the phrase "critical need for livestock or poultry feed" will be defined to mean that (1) the total supply of feed grains and forage available to livestock and poultry producers in the area involved is insufficient to cover the combined feed needs of such producers for more than 72 hours or such other period, determined by the Secretary, reasonably needed for supplies of feed to arrive in the area for commerical use from feed surplus areas, whichever is a longer period; and (2) as a result of such deficient supply levels, it reasonably can be expected that, without the assistance made available under section 3, farmers and ranchers in the area will suffer significant losses of livestock or poultry due to mortality.

Section 3 also provides that the Secretary must cover any costs involved in transporting surplus commodities to the 1986 natural disaster area, using the funds, facilities, and authorities of the Commodity Credit Corporation for such purposes. However, any transportation cost payments will be subject to subsection (b) of section 8 of the bill, which provides for noncash payments prior to October 1, 1986.

The Secretary would have to continue to make commodities available under section 3 until there no longer is a critical need for livestock or poultry feed, as determined by the Secretary.

In determining the feed needs of producers in an area and the amount of commodities to be made available in the area, the Secretary would be required to use the regulations issued under section 1105 of the Food and Agriculture Act of 1977 (specifically, 7 C.F.R. 1475.52(n) and 1475.55(f)(1)) and comparable rules for poultry. 7 C.F.R. 1475.(f)(1) establishes that the allowable amount of feed for which assistance is made available to a producer is to be the smaller of—

(1) 10 pounds per day per animal unit, or

(2) whatever lesser quantity is established by the State or county agricultural stabilization and conservation committee,

times the number of days in the feeding period involved times the eligible animal units involved. 7 C.F.R. 1475.52(n) defines the term "eligible animal units" by assigning varying unit values to different types of livestock.

Donations under section 3 would be made available during the period beginning 3 days after the date of enactment of the bill and ending March 31, 1987, or the date, as determined by the Secretary, on which the emergency created by the drought, excessively hot weather, or flood no longer exists, whichever is earlier.

SECTION 4—EMERGENCY LIVESTOCK FEED ASSISTANCE

Section 4, in subsection (a)(1), will require the Secretary of Agriculture to make emergency livestock and poultry feed assistance available under section 1105 of the Food and Agriculture Act of 1977 to farmers and ranchers in 1986 natural disaster areas (the term "natural disaster areas" is defined in section 2 of the bill).

Section 1105 of the 1977 Act provides authority for a program to preserve and maintain livestock and poultry in disaster areas by providing reimbursement to farmers with livestock or poultry to cover part of the cost of emergency purchases of feed. To be eligible, a person must have suffered a substantial loss of feed produced on the farm, not have sufficient feed for his livestock or poultry, and be in a situation of having to purchase feed in greater than normal amounts. The reimbursement rate is not to exceed 50 percent of the farmer's cost of emergency purchases of feed.

Under subsection (a)(1), the section 1105 program for 1986 natural disaster areas will reimburse farmers and ranchers eligible for the program with in-kind payments (as provided in section 8(a) of the bill), using surplus stocks of commodities held by the Commodity Credit Corporation.

Under the 1986 program, the maximum payment rate would be 50 percent, as under the current law, except in special circumstances whenever, under an export development program conducted by the Secretary of Agriculture, a feed grain or other commodity used for animal feed is made available to foreign purchasers at prices less than the average domestic market price for the commodity, as determined by the Secretary. In any such situation, the section 1105 reimbursement under the 1986 program for purchases of the commodity involved in the export program would have to be

made at a level in excess of 50 percent of the cost of the purchased commodity if necessary to ensure that the net cost to the producer for such commodity (taking into account the reimbursement under section 1105) is not in excess of the average price at which the commodity is made available to foreign purchasers under the export development program.

The effective period for subsection (a)(1) is established under subsection (a)(4), described below.

Section 4, in subsection (a)(2), will require the Secretary of Agriculture to permit any producer of the 1986 crop of wheat, feed grains, upland cotton, or rice (1) who is participating in the program under the Agricultural Act of 1949 for such crop, and (2) whose farm is located in a 1986 natural disaster area, to devote acreage on the farm diverted from the production of the crop under such program to hay or grazing without regard to limitations on when haying or grazing can take place otherwise imposed under the Agricultural Act of 1949.

Under the 1949 Act programs for these commodities, participating producers could have acreage set aside from production under a paid diversion agreement, an unpaid diversion requirement, or the provision that permits producers to devote deficiency payment acreage to conserving uses (the so-called "50–92" acreage). However, under the 1949 Act, harvesting of hay and grazing on set-aside acreage is permitted only during certain months of the year, as determined by the State agricultural and conservation committees. Under subsection (a)(2), any such time restrictions on haying and grazing would be removed for producers in 1986 natural disaster areas.

Section 4, in subsection (a)(3), will provide for a supplemental emergency feed program to supplement the other assistance under subsections (a)(1) and (a)(2) as necessary to prevent substantial losses of livestock or liquidation of herds.

Under subsection (a)(3), in carrying out an emergency assistance program for farmers and ranchers in a 1986 natural disaster area under the Disaster Relief Act of 1974, the President would be required to direct the Secretary of Agriculture to implement an emergency hay program to assist such farmers and ranchers in obtaining hay to feed their livestock.

Under the program, the Secretary would pay 80 percent of the cost of transporting hay from areas in which hay is in plentiful supply to the area in which the farmers and ranchers are located. However, any transportation cost payments will be subject to subsection (b) of section 8 of the bill, which provides for noncash payments prior to October 1, 1986.

The President would have to take action only if the Secretary reports to the President that—

(1) as a result of a drought and excessively hot weather disaster, or flood disaster, the amount of hay readily available to farmers and ranchers in the natural disaster area at reasonable prices to feed their livestock is substantially below the amount normally available; and

(2) the emergency feed purchase assistance to be made available under subsection (a)(1) and haying or grazing permitted under subsection (a)(2) together will be insufficient to prevent

substantial losses of livestock or liquidation of herds by farmers and ranchers in the area.

The Secretary of Agriculture must determine whether the conditions described in clauses (1) and (2) of the preceding sentence exist for each 1986 natural disaster area, and if such conditions exist so report to the President, within 30 days after the date of enactment of the bill and after reasonable intervals of time thereafter.

Prior to making any determination, the Secretary of Agriculture must consult with the Governor and the Secretary of Agriculture (or comparable official) of the State involved, and give due consideration to the views of such persons.

It should be noted that the Disaster Relief Act of 1974 authorizes the Federal Emergency Management Agency to assist with transporting hay and feed grain; and the authority of that agency in performing such responsibility can be delegated to the Department of Agriculture. The supplemental appropriation Act for fiscal year 1986 (Public Law 99-349), enacted on July 2, 1986, allotted $200 million of additional funds to the Federal Emergency Management Agency for disaster assistance. The Department of Agriculture, then, has both authority to help farmers buy animal feed (under section 1105 of the Food and Agriculture Act of 1977) and, through the Federal Emergency Management Agency, authority and access to funds to transport hay and feed. It is the intent of the Committee that the Secretary of Agriculture, in implementing subsection (a)(3), should use the authority available under the Disaster Relief Act of 1974 to provide transportation assistance for both hay and feed grains.

Section 4, in subsection (a)(4), provides that subsections (a)(1) and (a)(3) wil become effective 15 days after the date of enactment. Assistance under those subsections will be available until March 31, 1987, or the date (as determined by the Secretary of Agriculture) on which the emergency created by the drought and excessively hot weather, or flood, no longer exists, whichever is earlier.

Section 4, in subsection (b), will amend section 1105 of the Food and Agriculture Act of 1977 (briefly described in the analysis of subsection (a)(1) above), effective October 1, 1986. Under the amendment, a new subsection (h) would be added to section 1105 to require the Secretary of Agriculture to make assistance available to producers under section 1005 in certain circumstances.

[NOTE.—Currently, the authority provided to the Secretary of Agriculture under section 1105 is discretionary.]

Under new subsection (h), the Secretary would be required to make such assistance available if—

(1) the Secretary makes emergency livestock or poultry feed assistance available to producers in a county under section 407 of the Agricultural Act of 1949; but

(2) surplus commodities of adequate nutritive value are not made available under section 407 for distribution to such producers within ten days after the announcement of the program under section 407 for such county.

Section 407 of the 1949 Act authorizes the Secretary to make Commodity Credit Corporation stocks of feed commodities available in disaster areas to assist in the preservation and maintenance of foundation herds of livestock. Such stocks are made available at a

price not less than 75 percent of the current basic county loan rate for the commodity involved.

Under new subsection (h), the Secretary would have to make section 1105 assistance available in the county until such time as surplus commodities are made available under the announced section 407 program.

SECTION 5—DISASTER PAYMENT PROGRAM

Section 5 will require the Secretary of Agriculture to make disaster payments available, at the request of the producer, on the 1986 crops of wheat, feed grains, upland cotton, rice, and soybeans and peanuts under sections 107D(c)(D), 105C(c)(2)(D), 103A(c)(2)(D), 101A(c)(2)(D), and 201(k) of the Agricultural Act of 1949, respectively, to producers located in 1986 natural disaster areas (the term "natural disaster areas" is defined in section 2 of the bill).

The cited sections of the 1949 Act authorize, but do not require, the Secretary to make disaster payments available to producers for any of the 1986 through 1990 crops. Disaster payments are available to producers participating in the annual program for the commodity involved. The payments are made to compensate farmers either for (1) being unable to plant the program commodity, or (2) any substantial reduction in yields, because of a natural disaster. The compensation is made at a rate equal to a set portion (not more than one-half) of the program support level on the deficiency in production below a set percentage (not more than 75 percent) of normal production. Disaster payment programs have limitations on the amount of compensation any one person can receive, which are described below.

Under section 5, the conditions set out in sections 107D(c)(2)(D)(i), 105C(c)(2)(D)(i), 103A(c)(2)(D)(i), and 101A(c)(2)(D)(i) of the Agricultural Act of 1949 (applicable to wheat, feed grains, upland cotton, and rice, respectively) will be considered as having been met. Those conditions (which are the same in each cited section) are as follows: The Secretary may make a disaster payment to the producers on a farm if the Secretary determines that—

(1) as the result of drought, flood, or other natural disaster or other condition beyond the control of the producers, the producers on the farm have suffered substantial losses of production either from being prevented from planting the commodity or other nonconserving crops or from reduced yields;

(2) such losses have created an economic emergency for the producers;

(3) crop insurance indemnity payments under the Federal Crop Insurance Act and other forms of assistance made available by the Federal Government to such producers for such losses are insufficient to alleviate such economic emergency; and

(4) additional assistance must be made available to such producers to alleviate such economic emergency.

Payments under section 5 would be made in kind, as provided in subsection (a) of section 8 of the bill, using surplus stocks held by the Commodity Credit Corporation.

Section 5 also contains a payment limit provision, as follows: The total amount of in-kind payments that a person will be entitled to receive for the producer's crops of wheat, feed grains, upland cotton, rice, peanuts, and soybeans under section 5 cannot exceed an amount of commodities of a combined value of more than $100,000.

The payment limitation provision of section 5 parallels and complements the disaster payment limitation under section 1001(2) of the Food Security Act of 1985, which imposes a $100,000 payment limitation applicable to the 1986 crops but applies only to wheat, feed grains, upland cotton, and rice. Under the section 5 provision, soybeans and peanuts would be brought under the $100,000 payment limitation of section 1001.

SECTION 6—MILK PROGRAM PRODUCER ASSESSMENTS

Section 6 provides that, at the option of the producer, no reductions in the price received by producers for milk marketed for commercial use under section 201(d)(2)(A) of the Agricultural Act of 1949 will be made on milk produced by producers in 1986 natural disaster areas (the term "natural disaster areas" is defined in section 2 of the bill) and marketed for commercial use during the period beginning October 1, 1986, and ending December 31, 1986.

Section 201(d)(2)(A) of the 1949 Act requires the Secretary of Agriculture to make milk price reductions in specified amounts (per hundredweight of milk produced) as follows:

(1) 40 cents per hundredweight during the period beginning April 1, 1986, and ending December 31, 1986; and

(2) 25 cents per hundredweight during the period beginning January 1, 1987, and ending September 30, 1986.

The funds represented by the reduction in price are collected and remitted by first handlers of milk to the Commodity Credit Corporation. The price reductions under section 201(d)(2)(A) are made in conjunction with the dairy herd buyout program being conducted under section 201(d)(3) of the 1949 Act.

Section 6 also would require the Secretary to increase the amount of the reduction in the price received by each producer in a 1986 natural disaster area, if the producer exercises the option for a suspension of reductions, for milk produced and marketed by such producer for commercial use under section 201(d)(2)(A) of the Agricultural Act of 1949 during the period beginning January 1, 1987, and ending September 30, 1987, by an amount that will ensure that, to the extent practicable, the aggregate amount of reductions applicable to milk of such producer for the period beginning October 1, 1986, and ending September 30, 1987, will be the same aggregate amount of reductions that would have been made if the suspension reductions had not been in force for the producer.

SECTION 7—COST-SHARING FOR SOIL CONSERVATION MEASURES AND TIMBER STAND RESEEDING EXPENSES

Section 7 will require the Secretary of Agriculture to make available—

(1) cost-share payments under the agricultural conservation program to producers in 1986 natural disaster areas (the term

"natural disaster areas" is defined in section 2 of the bill) for conservation measures designed to prevent anticipated soil erosion due to loss of vegetative cover; and

(2) cost-share payments under the forestry incentives program to forest landowners in 1986 natural disaster areas for the reestablishment of stands of pine trees lost to drought conditions.

The Secretary would share not less than 50 percent of the cost of such measures of reestablishment of timber stands; and cost-share payments would be made in kind, as provided in subsection (a) of section 8 of the bill, using surplus stocks of commodities held by the Commodity Credit Corporation.

Payments made under section 7 would be in addition to, and not in lieu of, payments made under the Soil Conservation and Domestic Allotment Act (with respect to the agricultural conservation program) or the Cooperative Forestry Assistance Act of 1978 with respect to the forestry incentive program) using funds appropriated for such purposes. This provision is designed to ensure that resources used to provide assistance in 1986 natural disaster areas under the agricultural conservation program and the forestry incentives program are new resources and in addition to funds budgeted and appropriated for those programs without consideration of the additional program needs occasioned by the damage caused in 1986 natural disaster areas. This provision will not have the effect of nullifying or revising any program provision (not otherwise addressed by other provisions of section 7) under current statutes and regulations.

Assistance under section 7 would be made available to persons in 1986 natural disaster areas during the period beginning 15 days after the date of enactment of the bill and ending March 30, 1987.

SECTION 8—PAYMENTS

Sections 4(a) (1), 5, and 7 of the bill provide for the making of payments in kind under the emergency livestock feed purchase program, the disaster payments program, and the soil conservation and timber stand reseeding program, respectively. Similarly, subsection (b) of section 8 (described below) will require the use of such in-kind payments. The in-kind payments would use surplus stocks of commodities held by the Commodity Credit Corporation.

Section 8, in subsection (a), would authorize the Secretary of Agriculture, in making such in-kind payments, to—

(1) acquire and use commodities that have been pledged to the Commodity Credit Corporation as security for price support loans under the Agricultural Act of 1949, including loans made to producers under section 110 of such Act (authorizing the producer reserve program for wheat and feed grains); and

(2) use other commodities owned by the Commodity Credit Corporation.

Further, Secretary could make in-kind payments by—

(1) delivery of the commodity to the producer (if requested by the producer) at a warehouse or other similar facility, as determined by the Secretary; or

(2)(A) the transfer of negotiable warehouse receipts;

(B) the issuance of negotiable certificates that the Commodity Credit Corporation must redeem for a commodity in accordance with regulations prescribed by the Secretary; or

(C) such other methods as the Secretary determines appropriate to enable the producer to receive payments in an efficient, equitable, and expeditious manner so as to ensure that the producer receives the same total return as if the payments had been made in cash.

These provisions of subsection (a) are similar to those of section 1005 of the Food Security Act of 1985.

In carrying out subsection (a), the Secretary, to the maximum extent practicable, must use Commodity Credit Corporation commodities stored in storage deficient area such as the midwestern United States.

Section 8, in subsection (b), will require that transportation expenses incurred by the Commodity Credit Corporation under the emergency feed donation program under section 3 and hay transportation payments under subsection (a)(3) of section 4 prior to October 1, 1986, be made in kind, as provided in subsection (a) of section (8) (described above), using surplus stocks of commodities held by the Commodity Credit Corporation. Such payments made after September 30, 1986, could be made in kind or in cash. Section 8, subsection (c), will require the Secretary of Agriculture to assist recipients of in-kind payments in marketing warehouse receipts, certificates, or other documents representing such in-kind payments.

SECTION 9—CREDIT FORBEARANCE

Section 9 will express the sense of Congress concerning farm borrowers who are adversely affected by natural disaster conditions in 1986.

Specifically, section 9 will express the sense of Congress that, with respect to such borrowers—

(1) the Secretary of Agriculture should exercise the authority provided under section 331A of the Consolidated Farm and Rural Development Act and instruct the Farmers Home Administration to defer loan repayments and forgo foreclosures in cases where such farm borrowers are unable to make loan payments in full due to no fault of their own; and

(2) the lending institutions of the Farm Credit System and commercial lending institutions are encouraged, insofar as practicable, to adopt lenient lending, forbearance, and foreclosure policies, and to the maximum extent possible participate and cooperate with Federal and State lenders in assistance programs, with respect to such borrowers who are under financial stress due to no fault of their own.

SECTION 10—COORDINATION OF ASSISTANCE EFFORTS

Section 10 will express the sense of Congress that, with respect to the provision of Federal assistance to farmers and ranchers in 1986 natural disaster areas (the term "natural disaster areas" is defined in section 2 of the bill), the Secretary of Agriculture should take steps immediately to—

(1) establish an overall coordinating mechanism within the Department of Agriculture to ensure that the assistance provided by each agency within the Executive Branch is coodinated with, and complements, the assistance provided by other agencies;

(2) ensure that government and voluntary agencies, and the farmers and ranchers, in each 1986 natural disaster area are provided a single contact person or unit for Federal assistance, and that a similar such Federal contact person or unit is provided for government and voluntary agencies, farmers and ranchers, and other persons outside natural disaster areas who wish to contribute additional assistance to natural disaster areas; and

(3) consult with the Governor, Secretary of Agriculture (or comparable official), and the State disaster relief agency in each State in which a 1986 natural disaster area is located, on the disaster assistance needs of farmers and ranchers located in the State.

COMMITTEE CONSIDERATION

I

Prior to the introduction of H.R. 5288, the Committee had received detailed information about the extent of the drought and excessively hot weather in the South and Middle Atlantic States from Members of Congress from the affected areas, the Department of Agriculture, State agencies, and other sources. The information received indicated that the disasterous weather conditions were taking a heavy toll on livestock, poultry, and growing crops.

Based on this information, Chairman de la Garza, along with 36 other Members of the House, introduced H.R. 5288 on July 30, 1988. On the same day, because of the emergency nature of the situation, the Chairman convened the Committee to consider the bill.

H.R. 5288, as introduced, contains the following major provisions:

(1) Emergency Feed Donations

The Secretary of Agriculture would be required to make available at no cost, in counties where there is a critical lack of feed grain or forage needed to keep livestock or poultry alive, CCC surplus stocks of feed grains being stored in the State or an adjoining State.

The emergency donations (including transportation costs) would be made available when the Secretary determines that the supply of feed grain and forage available to farmers and ranchers in the county at reasonable prices is insufficient to cover their feeding needs for more than 72 hours, or other period required for supplies to arrive in the county from feed surplus areas.

(2) Emergency Feed Purchase Assistance

Current law provides authority for a program to preserve and maintain livestock and poultry in disaster areas by providing payments to farmers with livestock or poultry to cover part of the cost of emergency purchases of feed.

To be eligible, a person must have suffered a substantial loss of feed produced on the farm, not have sufficient feed for his livestock or poultry, and be in a situation of having to purchase feed in greater than normal amounts.

The payment rate is not to exceed 50 percent of the farmer's cost of emergency purchases of feed.

The bill will require the Secretary of Agriculture to use the program for the current drought disaster. The bill also will provide for use of CCC surplus stocks of feed grains, to the extent practicable, to make the payments.

(3) Hay and Grazing

Require the Secretary to permit acreage-reduction acreage and 50–92 acreage under the 1986 wheat, feed grain, upland cotton, and rice programs to be grazed out or harvested for hay.

(4) Hay Transportation Payments

To be triggered if the other assistance described above is not sufficient to prevent substantial losses of livestock or liquidation of herds.

The Secretary will pay 80 percent of the cost of transporting hay from surplus supply areas.

The Secretary would be required to consult with the State Governors involved on the need for this program.

(5) Effective Period for Emergency Feed Donations, Emergency Feed Purchase Assistance, and Hay Transportation Payment Programs

From 15 days after enactment (three days after enactment for emergency feed donations) to March 31, 1987, or the date the Secretary determines the emergency created by the disaster no longer exists.

(6) Disaster Payments

To be available to producers of the 1986 crops of wheat, feed grains, upland cotton, rice, soybeans, and peanuts.

Require the making of disaster payments with PIK commodities, not cash, to the extent practicable.

(7) Milk Program Assessment—Delay in Payments

Dairy farmers in disaster areas would be temporarily exempted from assessments under the milk price support program during the period beginning August 16, 1986, and ending November 15, 1986.

Assessments during the 10 and ½ months following the exemption would be increased to recoup the lost assessments.

(8) Cost-Share Assistance for Soil Conservation Measures and Timber Stand Reseeding Expenses

Payments in kind for cost-share payments to cover costs of—

(a) conservation measures under the ACP program designed to prevent anticipated soil erosion due to loss of vegetative cover; and

(b) reestablishing stands of pine trees (lost due to drought conditions) under the forestry assistance program.

The cost-shares would be not less than 50 percent of the cost to the landowner.

The assistance is to be available until March 31, 1987.

(9) Payments in Kind

Payments in kind under the emergency feed assistance program (described in item (1) above), the disaster payments program (described in item (5) above), and cost-share program (described in item (7) above) would be made by—

(a) delivery of the commodity, if requested by the producer; or

(b) transfer of negotiable warehouse receipts, issuance of negotiable certificates, or any other method that ensures efficient receipt of payments and that ensures that the producer receives the same return as if the payment had been made in cash.

(10) Sense of Congress on Coordination

Expressing the sense of Congress that the Secretary of Agriculture should act immediately to establish an overall coordinating mechanism for Federal assistance, provide a single Federal contact point for assistance, and consult with State officials in drought disaster areas.

II

On July 30, 1986, the Committee, in business session, a quorum being present, marked up H.R. 5288 and agreed to report it to the House.

Consideration of H.R. 5288 began with the staff explaining the provisions of the bill. The Committee then discussed the programs under the bill and the steps being taken by the Administration under provisions of existing law to address the problems created for farmers and ranchers by the current drought.

Mr. Daschle offered an amendment to add a provision to the bill relating to the emergency feed assistance programs. The amendment would require the Secretary of Agriculture to make emergency feed purchase cost-share assistance available to livestock and poultry producers when commodities under the Commodity Credit Corporation emergency feed sales program are not available. By unanimous consent, Mr. Daschle modified the amendment to make it effective October 1, 1986. The amendment, as modified, was agreed to by voice vote.

Mr. Smith of Oregon offered an amendment to extend eligibility under the bill to drought areas of the United States outside the southeastern States and to areas adversely affected by floods. The committee approved the amendment by voice vote.

Mr. Olin offered an amendment relating to the rate of reimbursement payments under emergency feed purchase program under the bill. The amendment would ensure that participants in the program could buy needed animal feed commodities at a price no higher than the price offered to foreign customers under agricultural export development programs. The amendment was agreed to by voice vote.

Chairman de la Garza offered an amendment to make technical changes in the bill and address certain requirements under the Budget Act of 1974. The Committee adopted the amendment by voice vote.

Mr. Madigan offered an amendment to add a new provision that would require the Secretary of Agriculture, in carrying out the payment-in-kind provisions of the bill, to use Commodity Credit Corporation commodities stored in storage-deficient areas such as the midwestern United States, to the extent practical. The amendment was approved by voice vote.

Mr. Tallon offered an amendment that would add a new section to the bill to require the Secretary of Agriculture to use authority granted him under section 331A of the Consolidated Farm and Rural Development Act to defer loan repayment and forgo foreclosures in cases where Farmers Home Administration farm loan borrowers are unable to make loan repayments in full due to the 1986 drought conditions. The new section also would encourage Farm Credit System and commercial lending institutions to exercise forbearance with respect to such borrowers. After a discussion of the amendment and the possible problems it might have under the procedures under the Budget Act of 1974, Mr. Tallon withdrew the amendment. He then offered an amendment that had the same objectives as the amendment that was withdrawn, but that was framed as a sense of Congress resolution. The Committee agreed to the amendment by voice vote.

Mr. Olin proposed that the Committee express its position regarding the use of funds under the Disaster Relief Act of 1974 for the hay transportation assistance program under the bill. The Committee agreed to Mr. Olin's proposal; and the Committee's position is set out in the section-by-section analysis part of this report (in the analysis of section 4).

Mr. Jones of Tennessee stated his support for the bill but noted that the Committee should ask itself what kind of a signal the bill sends to farmers with respect to participation in the Federal crop insurance programs. He further stated that the crop insurance program is not without its problems and he looks forward to the day when crop insurances will be the best form of Federal disaster protection so that farmers will not have to depend on emergency legislation.

Mr. Madigan then moved that the Committee favorably report H.R. 5288, with the amendments adopted by the Committee. In the presence of a quorum, the Committee agreed to the motion, and the bill, as amended, was ordered reported.

The staff was given leave, by unanimous consent, to make clerical and conforming changes to the text of the Committee-reported bill.

Administration Position

At the time of the filing of this report, the Committee had not received a report from the U.S. Department of Agriculture concerning H.R. 5288, as amended.

BUDGET ACT COMPLIANCE (SECTION 308 AND SECTION 403)

I

The provisions of clause 2(l)(3)(B) of Rule XI of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 (relating to estimates of new budget authority or new or increased tax expenditures) are not considered applicable. The estimate and comparison required to be prepared by the Director of the Congressional Budget Office under clause 2(l)(3)(C) of Rule XI of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974 were not received by the Committee prior to the filing of this report.

II

The Committee has prepared its own cost estimate of H.R. 5288, as reported, which is as follows:

Based on information received from the Congressional Budget Office, the Committee projects the cost of the bill to be $230 million in fiscal year 1987.

Disaster payments required by the bill are estimated to involve costs of $200 million, based on an assumed loss of two-thirds of the program yields of eligible program acreage in the affected southeastern and middle Atlantic States. Full payments under the formula set out in the Agricultural Act of 1949 are expected for peanut and soybean crops; but for wheat, feed grains, upland cotton, and rice, such payments are expected only in those cases where disaster payments would exceed deficiency payments.

Payments for reestablishing cover crops under the agricultural conservation program are estimated to involve costs of $25 million, and costs related to timber stand reseeding payments under the forestry incentives program are a projected $5 million. These estimates are based on an assumed 50 percent increase in the level of the current program assistance to the 1986 drought areas.

Cost-sharing for emergency feed purchases, donations, and hay transportation provisions are expected involve costs of about $300 million. However, no budget effect can be attributed to the bill in view of the Secretary of Agriculture's August 1, 1986, announcement of virtually identical provisions for drought relief under authorities of existing law.

No cost is attributed to the deferral of the dairy assessments from the first 3 months to the last 9 months because it will occur in the same fiscal year.

Costs are involved under the bill in spite of the use of payment-in-kind commodity certificates. This assistance will be made available in the form of Government-owned commodities, valued at prevailing prices, which are expected to be the announced loan rate for that commodity. Because supplies are currently so heavy, these released commodities are expected to displace an equal amount of current production from commercial markets. These displaced commodities will then be placed under loan under the farm program provisions of the Agricultural Act of 1949 and forfeited to the Commodity Credit Corporation at the same loan rates at which the

Government-owned stores were orginally valued. This has the effect of creating outlays at the same level as using cash payments.

Inflationary Impact Statement

Pursuant to clause 2(l)(4) of Rule XI of the Rules of the House of Representatives, the Committee estimates that enactment of H.R. 5288, as amended, will have no inflationary impact on the national economy.

Oversight Statement

No summary of oversight findings and recommendations made by the Committee on Government Operations under clause 2(b)(2) of Rule X of the Rules of the House of Representatives was available to the Committee with reference to the subject matter specifically addressed by H.R. 5288, as amended.

No specific oversight activities other than the hearings detailed in this report were conducted by the Committee within the definition of clause 2(b)(1) of Rule X of the Rules of the House of Representatives.

Changes in Existing Law

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

Food and Agriculture Act of 1977

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EMERGENCY FEED PROGRAM

Sec. 1105. (a) Notwithstanding any other provision of law, the Secretary of Agriculture may implement an emergency feed program for assistance in the perservation and maintenance of livestock and poultry in any area of the United States, including Puerto Rico, Guam, and the Virgin Islands of the United States, where, because of flood, drought, fire, hurricane, earthquake, storm, or other natural disaster, the Secretary determines that an emergency exists.

(b) The Secretary shall not provide assistance under this section to any person unless all of the following conditions created by the emergency are present:

(1) The person has suffered a substantial loss in the livestock feed normally produced on the farm for such person's livestock or poultry;

(2) The person does not have sufficient feed that has adequate nutritive value and is suitable for each of such person's respective particular types of livestock or poultry for the estimated period of the emergency; and

(3) The person is required to make feed purchases during the period of the emergency in quantities larger than such person would normally make.

(c) Persons eligible for assistance under the program formulated under this section may be reimbursed for not to exceed 50 per centum of the cost of the feed purchased by such eligible persons during the period of emergency, as announced by the Secretary of Agriculture, or at such lower rate as may be established by the Secretary.

(d) Any person who disposes of any feed for which such person is reimbursed under this section, in any manner other than as authorized by the Secretary, shall be subject to a penalty equal to the market value of the feed involved, to be recovered by the Secretary in a civil suit brought for that purpose. In addition, such person shall be subject to a fine of not more than $10,000, or imprisonment for not more than one year, or both.

(e) The Secretary is authorized to issue such regulations as the Secretary determines necessary to carry out the provisions of this section.

(f) The Secretary shall carry out the program authorized by this section through the Commodity Credit Corporation.

(g) Notwithstanding any other provision of law, the Secretary shall not delegate the authority to administer the emergency feed program to any other department, agency, or entity, public or private.

(h) If—

(1) the Secretary of Agriculture makes emergency livestock or poultry feed assistance available to producers in a county under section 407 of the Agricultural Act of 1949; but

(2) surplus commodities of adequate nutritive value are not made available under such authority for distribution to such producers within ten days after the announcement of the program under such authority for such county.

the Secretary shall make assistance available to such producers under this section until such time as surplus commodities are made available under the announced program.

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